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BY OVERNIGHT MAIL

March 14, 2005

Sharla Dillon, Dockets and Records Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

DOCKET NO.
05-00076

Re: Joint Petition for Approval of a Transfer of Assets and Customer Base

Dear Ms. Dillon:

On behalf of TelCove, Inc., LLC, KMC Telecom Holdings, Inc., KMC Telecom LLC, KMC Telecom II LLC, and KMC Telecom III LLC, enclosed is the requisite filing fee of \$125.00 that should have accompanied the above-referenced Joint Petition sent on March 11, 2005. Should you have any questions concerning this filing, please do not hesitate to contact the undersigned at (202) 424-7500.

Respectfully submitted,



Tamar E. Finn
Brian M. McDermott
Danielle C. Burt

cc: Brad E. Mutschelknaus (Kelley Drye)
Melissa S. Conway (Kelley Drye)
James E. Means (Telcove)
Marva Brown Johnson (KMC)

PAID T.R.A.

Chk # 155896
Amount 125.00
Rcvd By JP
Date 3-15-05

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Re: Joint Petition for Approval of a Transfer of Assets and Customer Base

Dear Ms. Dillon.

On behalf of TelCove, Inc., LLC, KMC Telecom Holdings, Inc., KMC Telecom LLC, KMC Telecom II LLC, and KMC Telecom III LLC, enclosed for filing with the Commission are an original and thirteen (13) copies of the above-referenced Joint Petition.

Please date-stamp the enclosed extra copy of this filing and return it in the attached self-addressed, postage prepaid envelope provided. Should you have any questions concerning this filing, please do not hesitate to contact the undersigned at (202) 424-7500.

Respectfully submitted,



Tamar E. Finn
Brian M. McDermott
Danielle C. Burt

cc: Brad E. Mutschelknaus (Kelley Drye)
Melissa S. Conway (Kelley Drye)
James E. Means (Telcove)
Marva Brown Johnson (KMC)

**Before the Tennessee Regulatory Authority
Nashville, Tennessee**

In the Matter of the Petition of)
)
)

KMC TELECOM HOLDINGS, INC.,)
KMC TELECOM LLC, KMC TELECOM II LLC,)
KMC TELECOM III LLC)
)

And)

) Docket No. _____
)

TELCOVE, INC., TELCOVE OPERATIONS, INC.)
)
)

For Approval of a Transfer of Assets and)
Customer Base)
_____)

JOINT PETITION AND WAIVER REQUEST

I. INTRODUCTION

TelCove, Inc. ("Buyer"), TelCove Operations, Inc. ("TelCove Operations"), KMC Telecom Holdings, Inc. ("KMC Holdings"), KMC Telecom LLC ("KMC"), KMC Telecom II LLC ("KMC II"), KMC Telecom III LLC ("KMC III"), (together with KMC and KMC II, the "KMC Operating Companies" and, together with Buyer and TelCove Operations, the "Petitioners"), by their undersigned counsel and pursuant to Section 65-4-112 of the Tennessee Code and the rules of the Tennessee Regulatory Authority ("Authority" or "TRA"), hereby request approval from the Authority for Petitioners to complete a transaction whereby Buyer will acquire certain assets, including certain customer accounts, from the KMC Operating Companies. As TelCove Operations is already authorized to provide telecommunications services in Tennessee, there is no need for TelCove Operations to obtain certification from the Authority; this is simply a transfer of assets/customers from one authorized carrier to another. Petitioners also seek a waiver, to the extent necessary, of the Authority's rules governing carrier changes, including TRA Rule 1220-4-2-.56, to permit Petitioners to migrate certain of KMC III's

Tennessee customers to TelCove Operations without having to obtain written authorization of each such customer. As described below, because the transaction will not change the rates, terms or conditions of the services being received by customers, the proposed transaction will be entirely transparent to customers of KMC III in terms of the services that those customers receive. The only difference will be in the name of their service provider.

Petitioners file this Petition in connection with an Asset Purchase Agreement entered into as of February 2, 2005 ("Agreement") between KMC Holdings, KMC, KMC II, KMC III, KMC Telecom of Virginia, Inc. ("KMC Virginia") and KMC Financial Services LLC ("KMC Parent") and Buyer. Pursuant to the Agreement, KMC Parent has agreed to sell to Buyer certain of the 5ESS switches and related assets and network operations of the KMC Operating Companies. Following that transaction, certain of KMC III's current customers will be transferred to Buyer who, through TelCove Operations, will become the service provider for those customers.¹

The proposed transaction is part of KMC Holdings on-going efforts to focus its resources on providing traditional and IP wholesale telecommunications and enhanced services to carriers and large enterprises over a newly deployed softswitch and IP/MPLS network. In connection with that process, Petitioners urgently need to complete the proposed transaction described below on or before June 30, 2005. Accordingly, Petitioners respectfully request that the Authority approve this Petition as expeditiously as possible in order to allow Petitioners to consummate the

¹ Although TelCove Operations is only acquiring KMC III's customers in the cities of Bristol, Johnson City and Kingsport, Tennessee, pursuant to a separate but related transaction, the remainder of KMC III's customers will be transferred to CenturyTel Acquisition LLC. This transaction will be the subject of a separate petition filed with the Authority. However, the operations of KMC III's affiliates in Tennessee, KMC Telecom V, Inc. and KMC Data, LLC, are not affected by the Transaction; that is KMC Telecom V, Inc. and KMC Data, LLC will continue to provide service to their respective customers in Tennessee pursuant to their existing authorizations.

proposed transaction by that date.

In support of this Petition, Petitioners state as follows:

II. THE PETITIONERS

A. Buyer and TelCove Operations

Buyer is a privately-held Delaware corporation with its principal place of business located at 121 Champion Way, Canonsburg, Pennsylvania 15317. The largest block of Buyer's shares is controlled by Bay Harbour Management, L.C. ("Bay Harbour"), a private investment company, which controls funds that hold approximately 47% of Buyer. Bay Harbour's principal place of business is located at 885 Third Avenue, 34th Floor, New York, New York 10022. TelCove Operations is a Delaware corporation with its principal place of business located at 121 Champion Way, Canonsburg, Pennsylvania 15317.

Buyer, through its operating subsidiaries, including TelCove Operations, is a leading facilities-based provider of integrated communications services that serves medium and large businesses, state and local governmental agencies, educational institutions, and other communications service providers. Buyer offers local and long-distance voice, dedicated data, ATM, frame relay, and Internet services and is focused on serving communications-intensive end users. In Tennessee, TelCove Operations is authorized to provide local exchange and interexchange telecommunications services pursuant to Docket No. 00-00271. Further information regarding TelCove Operations' legal, technical, managerial and financial qualifications to provide service was submitted with its Application for certification. Such information, therefore, is already a matter of public record, and Petitioners request that it be incorporated herein by reference.

Buyer has the managerial, technical and financial talents necessary to acquire and operate

the assets and serve the customers. Buyer, through its operating subsidiaries, including TelCove Operations, is authorized to provide facilities-based local exchange and interexchange telecommunications services in every state, except Alaska, Arizona, Hawaii, and the District of Columbia. Buyer also holds international global facilities-based and resold Section 214 authority, as well as blanket domestic Section 214 authority. Buyer's operating companies currently provide Internet, voice and data services to customers in Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Vermont and Virginia. The same key management and other personnel that currently operate Buyer's operating companies in Tennessee will assume KMC III's operations following completion of the transaction

B. KMC Holdings and the KMC Operating Companies

KMC Holdings is a Delaware corporation with its principal place of business located at 1545 Route 206, Suite 300, Bedminster, New Jersey 07921. KMC Holdings is the ultimate holding company parent of the KMC Operating Companies. KMC Holdings, through the KMC Operating Companies and its affiliates, provides voice and/or data services in every state with the exception of Alaska, Colorado and Hawaii. Wireline voice services are provided by KMC III in Alabama, Florida, Georgia, Indiana, Kansas, Louisiana, Maryland, Michigan, Minnesota, Mississippi, North Carolina, Ohio, South Carolina, Tennessee (Case No. 02-00174), Texas and Wisconsin and by KMC Virginia in Virginia.

KMC, KMC II, and KMC III are Delaware limited liability companies with their principal place of business located at 1545 Route 206, Suite 300, Bedminster, NJ 07921. KMC Holdings, through the KMC Operating Companies and its affiliates, is authorized by various state public service commissions to provide resold and/or facilities-based, competitive local

and/or intrastate interexchange telecommunications services in 49 states and the District of Columbia. In Virginia, KMC Holdings provides service through KMC Virginia. In addition, KMC III holds international resold and facilities-based Section 214 authority, as well as domestic blanket Section 214 authority.

III. DESIGNATED CONTACTS

Inquiries or copies of any correspondence, orders, or other materials pertaining to this Petition should be directed to:

Buyer/TelCove Operations:

Tamar E. Finn
Brian M. McDermott
Danielle C. Burt
Swidler Berlin LLP
3000 K Street, NW, Suite 300
Washington, DC 20007-5116
(202) 424-7500 (Tel)
(202) 424-7645 (Fax)
TEFinn@swidlaw.com (Email)
BMMcdermott@swidlaw.com (Email)
DCBurt@swidlaw.com (Email)

with a copy to:

James E. Means, Esq.
Deputy General Counsel
TelCove, Inc.
121 Canonsburg, PA 15317
(724) 743-9566 (Tel)
(724) 743-9791 (Fax)
jim.means@telcove.com (Email)

KMC/KMC Operating Companies:

Brad E. Mutschelknaus
Melissa S. Conway
Kelley Drye & Warren LLP
1200 19th Street, NW, Suite 500
Washington, DC 20036

(202) 955-9600 (Tel)
(202) 955-9792 (Fax)
bmutschelknaus@kelleydrye.com
mconway@kelleydrye.com

with a copy to:

Marva Brown Johnson
Vice President and Senior Counsel
KMC Telecom Holdings, Inc.
1755 North Brown Road
Lawrenceville, Georgia 30022
(678) 985-6220 (Tel)
(678) 985-6213 (Fax)
Marva.Johnson@kmctelecom.com

IV. DESCRIPTION OF THE TRANSACTION

Petitioners propose to complete a Transaction ("Transaction") whereby Buyer will acquire a portion of the 5ESS switches and related assets and network operations of the KMC Operating Companies in Bristol, Johnson City, and Kingsport, Tennessee. In connection with that Transaction, Buyer will be responsible for providing service to the KMC III customers transferred as a result of the Transaction. In order to effectuate the proposed Transaction, Buyer, KMC Holdings, KMC, KMC II, KMC III and KMC Virginia have entered into an Asset Purchase Agreement ("Agreement").²

Petitioners emphasize that although the proposed Transaction will involve a transfer of customers, immediately following the proposed Transaction, those customers will continue to receive service from Buyer under the same rates, terms and conditions as the services currently provided. As a result, the proposed Transaction will be entirely transparent to customers in terms of the services that they currently receive. All of the affected customers will receive notice of the Transaction and will be given not less than 30 days prior written notice of the proposed transfer, in

² A copy of the Agreement will be provided upon request.

compliance with the rules of the Federal Communications Commission.³ Petitioners respectfully submit that their joint notice to customers complies with TRA Rule 1220-4-2-.56 in that it comports with customer notice letters previously found acceptable by the Authority in other similar transactions. Moreover, because Buyer is acquiring substantially all of the assets of the KMC Operating Companies necessary to provide voice service to the transferred customers, Buyer will have all of the assets required to continue to provide high quality services to the customers it acquires.

Buyer is well qualified to provide service to KMC III's customers. As explained above, Buyer, through its operating companies, including TelCove Operations, currently provides Internet, voice and data services to customers in Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Vermont and Virginia. The same key management and other personnel that currently operate Buyer's operating company in Tennessee will assume KMC III's operations following completion of the Transaction. Thus, Buyer will be able to rely upon the expertise and experience of its existing management to continue the current operations of KMC III and provide the same services at the same rates, terms and conditions as currently are provided to KMC III customers.

IV. PUBLIC INTEREST STATEMENT

The Transaction described above serves the public interest. In particular, the assignment of KMC III customer accounts will ensure that those customers continue to receive uninterrupted services. At the same time, the proposed Transaction will allow KMC Holdings to continue to

³ Each customer will receive notice of the Transaction in accordance with the FCC's requirements. A copy of the customer notice is attached as Exhibit A.

restructure its operations and allow KMC Holdings to continue to implement its business strategies going forward.

The proposed asset transfer will not inconvenience, confuse or otherwise harm KMC III's customers. Indeed, the proposed Transaction will be virtually transparent to customers in terms of the services those customers receive. As set forth above, Buyer is well qualified to continue to provide such services. In sum, the proposed Transaction is expected to enhance competition in the affected markets by introducing Buyer or expanding its presence as a viable competitor while at the same time allowing KMC Holdings to continue the on-going restructuring of the company's operations.

Given the increasingly competitive nature of the local exchange and interexchange markets, Petitioners are seeking to complete the proposed Transaction by June 30, 2005 in order to ensure that Petitioners can rapidly obtain the benefits of the proposed Transaction. Accordingly, Petitioners respectfully request that the Authority process, consider and approve this Petition as expeditiously as possible.

VI. CONCLUSION

WHEREFORE, for the reasons stated above, TelCove, Inc., TelCove Operations, Inc., KMC Telecom Holdings, Inc., KMC Telecom LLC, KMC Telecom II LLC, and KMC Telecom III LLC submit that the public interest, convenience, and necessity will be furthered by Authority approval of Petitioners' participation in the Transactions described herein. Petitioners respectfully requests expeditious consideration of this Petition to allow such participation as soon as possible.

James E. Means, Esq.
Deputy General Counsel
TelCove, Inc.
121 Champion Way
Canonsburg, PA 15317
(724) 743-9566 (Tel)
(724) 742-9791 (Fax)
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Marva Brown Johnson
Vice President and Senior Counsel
KMC Telecom Holdings, Inc.
1755 North Brown Road
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Marva.Johnson@kmctelecom.com

Respectfully submitted,



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BMMcdermott@swidlaw.com (Email)
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Counsel for Buyer and TelCove Operations

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Washington, DC 20036
(202) 955-9600 (Tel)
(202) 955-9792 (Fax)
bmutschelknaus@kelleydrye.com
mconway@kelleydrye.com

Counsel for KMC Holdings and the KMC
Operating Companies

Dated: March 11, 2005

EXHIBIT A

Customer Notice

**AN IMPORTANT NOTICE REGARDING YOUR LOCAL AND LONG DISTANCE
TELEPHONE SERVICE FROM KMC TELECOM AND CENTURYTEL**

Dear Valued Customer:

KMC Telecom is pleased to inform you that its telephone systems used to provide your local, long distance, international and data services in the areas of _____ are being acquired by [TelCove Operating Subsidiary]. The anticipated date for the transfer of your service to TelCove is July 1, 2005, or as soon thereafter as the necessary governmental approvals can be obtained. Upon completion of the transfer, TelCove will provide service to you and KMC Telecom will no longer be your local, long distance telephone, international or data service provider.

As a customer of TelCove, you will continue to receive all of the features, terms and conditions of service and current rates that you enjoy today. Notice of any future changes in rates, terms and conditions of service will be provided to you in writing or as otherwise provided by law. TelCove has over thirteen years of experience delivering voice and data communication and currently provides these services in 20 states today. Using state of the art equipment and knowledgeable employees, TelCove provides businesses with reliable, customized communications solutions and personalized customer service. With TelCove, your business will have a local, dedicated, single point of contact ready to answer your questions or provide additional services.

It has been the pleasure of KMC Telecom to provide you with quality local, long distance, international and data communications services and we emphasize that you will be treated as a valued customer of TelCove. As always, you may choose another carrier for your telephone service at any time, subject to any termination restrictions in your contract. Unless you choose another carrier within thirty (30) days of the date of this letter, as is your right, you will automatically become a TelCove customer upon completion of this transaction.

You do not need to take any action to be transferred to TelCove. TelCove will pay any change charges associated with the transfer of your account to it. If you have placed a "freeze" on KMC Telecom's local or long distance services to prevent their unauthorized transfer to another carrier, such freeze will be lifted when your KMC Telecom services are transferred to TelCove. At your request and at no additional charge, TelCove can re-establish freeze protection for you after the transfer.

TelCove will work to resolve any complaints you may have against KMC Telecom that have not been resolved by the time your account is transferred.

If you have any questions regarding this notice or any of KMC Telecom's services, please contact _____, KMC Vice President of Marketing Strategy and Communications, at 877-470-2100, ext _____, or by mail at 1545 Route 206, Suite 300, Bedminster, NJ 07921. Questions regarding TelCove may be directed to TelCove's Representatives at 1-866-295-5239, or by mail at 121 Champion Way, Canonsburg, Pennsylvania 15317, Attention: Customer Relationship Manager. [www.telcove.com]

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF WASHINGTON)

SS

VERIFICATION

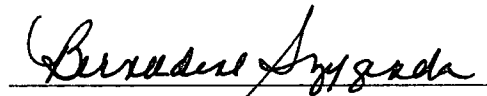
I, James E. Means, state that I am Secretary of TelCove Operations, Inc., a Party in the foregoing filing; that I am authorized to make this Verification on behalf of TelCove Operations, Inc.; that the foregoing filing was prepared under my direction and supervision, and that the contents are true and correct to the best of my knowledge, information, and belief.



James E. Means

Deputy General Counsel & Secretary
TelCove Operations, Inc.

Sworn and subscribed before me this 9th day of March, 2005



Notary Public

COMMONWEALTH OF PENNSYLVANIA

Notarial Seal

Bernadine Szygenda, Notary Public
South Franklin Twp, Washington County
My Commission Expires Jan. 29, 2008

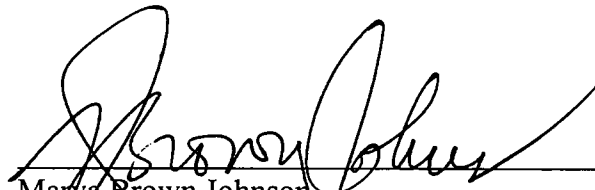
Member, Pennsylvania Association Of Notaries

STATE OF GEORGIA
COUNTY OF GWINNETT


)
)
) SS:

VERIFICATION

I, Marva Brown Johnson, state that I am Vice President, Assistant Secretary and General Counsel of KMC Telecom III LLC, a Party in the foregoing filing; that I am authorized to make this Verification on behalf of KMC Telecom III LLC; that the foregoing filing was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.


Marva Brown Johnson
Vice President, Assistant Secretary and General
Counsel
KMC Telecom III LLC

Sworn and subscribed before me this 9th day of March, 2005.


Notary Public

My commission expires 12/16/07

